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TAGS: [PGOV](#) [PREL](#) [PINR](#) [MARR](#) [BK](#)
SUBJECT: BOSNIA- RS GOVERNMENT STYMIES DEFENSE PROPERTY
AGREEMENT

REF: SARAJEVO 1563

Classified By: Ambassador Charles English for reasons 1.4 (b) and (d)

11. (C) Summary. NATO HQ,s efforts to finalize a comprehensive transfer agreement on movable defense property were dealt a serious setback on November 29. At a meeting in Banja Luka, Republika Srpska (RS) government representatives back-tracked on initial commitments made to NATO HQ and declined to support NATO,s tabled draft transfer agreement. The agreement, while transferring ownership of all arms and ammunition to the state, was highly beneficial to the entities regarding profit sharing mechanisms on the sale of these items. The RS representatives indicated that they would only support an agreement in which the RS maintained control over surplus stockpiles of defense articles. This position is directly at odds with the July political agreement on defense property, and raises concerns that the RS now seeks to retain control of some stockpiles of arms and ammunition. Following this development, Minister of Defense Selmo Cikotic encouraged the Ambassador to directly engage with RS Prime Minister Milorad Dodik to push for a resolution of the issues. Cikotic also said he was sending a letter to the High Representative requesting his intervention in the matter. Considering the importance of this issue, A/S Fried should raise this with the Presidency and Dodik during his December 4-5 visit to Sarajevo. End Summary.

RS BLOCKS DEAL ON MOVABLE PROPERTY

12. (C) RS government representatives effectively scuttled a deal on the transfer of movable defense property from the entities to the state during a meeting with senior NATO HQ Sarajevo officials in Banja Luka on November 29. The meeting had been scheduled to finalize the draft of the transfer agreement, originally tabled by NATO HQ. It would have transferred all arms, ammunition and explosives to state ownership. During the meeting, the RS team, led by RS Government Military Advisor Dusko Cetkovic, introduced new proposals that would have permitted the RS to maintain stockpiles of these items and determine their final disposition. Such a proposal was in direct contradiction to principles established by NATO, EUFOR and OHR and violated the terms of the July 2007 political agreement on defense property which had been approved by the state and entity governments (reftel). Following the surprise introduction of the RS proposals, the NATO HQ legal advisor told us that all work and negotiations on the transfer agreement would likely

be suspended until the RS demonstrated a renewed political commitment to resolving the issue.

A GOOD DEAL FOR THE RS

¶3. (C) NATO HQ's draft transfer agreement was extremely generous in financial terms to the entities. The agreement had been drafted and negotiated under the auspices of the defense property working group, composed of representatives from the state, entities and NATO, which was formed after the parties had reached the political agreement in July. The working group had met sporadically for several months, but found new momentum after the October 2007 Peace Implementation Council noted the need to resolve the long-standing defense property issues by the close of the year. Under NATO HQ's proposed technical agreement, the entities would be entitled to 80 percent of the proceeds from the sale of any defense items from their former stockpiles. The Ministry of Defense had provided further guarantees that the sale of any defense articles would be conducted in a fully transparent manner, and RS and Federation government representatives would be permitted to play a role in identifying buyers for the surplus items. NATO HQ and the MOD had thought that such major concessions would ensure entity approval of the transfer agreement, and the Federation had already signed on to the proposal. The RS government negotiating team had also signaled that the agreement was acceptable, setting up the Banja Luka meeting where only minor technical issues were to be harmonized.

TIME FOR POLITICAL PRESSURE

¶4. (C) The Ambassador raised USG concerns over the recent setback with other NATO Ambassadors, Minister Cikotic, and Foreign Minister Sven Alkalaj at a forum discussion December ¶3. The Ambassador stressed that a continued failure to resolve the property issues threatened Bosnia's NATO accession hopes, and undermined the substantial progress already realized in defense reform. The Ambassador noted that in the current political environment, the RS' position seemed a further attempt at political obstructionism and was troublesome considering the move came at the same time the broader political crisis in Bosnia was seemingly defused. The Ambassador urged the NATO Ambassadors to collectively and bilaterally "bring pressure to bear" on the RS leadership to meaningfully engaged on defense property and quickly bring the issue to a close. Minister Cikotic stated that he fully supported this approach, and that he would soon send a letter to the High Representative requesting his intervention as well. Alkalaj said that defense property was a "huge stumbling block" as Bosnia moved closer to NATO, and urged the Ambassadors to raise their concerns with Dodik and the Presidency. In a private discussion following the forum, Cikotic expanded on his remarks, telling the Ambassador that Dodik's government had staked out a position that was completely unacceptable-- that the RS should maintain ownership of surplus arms and ammunition. Cikotic said that Dodik was "key" to resolving the impasse, and strong political pressure should be brought to bear on him.

COMMENT: SERIOUS IMPACT FOR US INTERESTS

¶5. (C) The RS government's decision to block the agreement on movable defense property threatens to derail the process created to resolve these issues that was established after the July political agreement. Aside from creating further delays in a process that, under provisions in the 2005 Law on Defense, was to be concluded 23 months ago, the failure to reach an agreement has substantial impact on Bosnian defense reform, a key USG policy success, and our bilateral security agenda. While the Armed Forces recently filled out its new force structure, without formal control over supplies and other material, the state has been hesitant to move items across the entity boundary line and fully supply some units. Furthermore, until the property issues are resolved, the

Armed Forces will remain stretched to the limit guarding and maintaining the substantial volume of both movable and immovable (land, bases) property that could otherwise be liquidated. This in turn has impacted the Ministry of Defense's and Armed Forces' ability to provide additional forces to coalition deployments overseas. Without freeing up forces currently engaged in menial guard duty, the Armed Forces will be unable to make any further substantial contributions to Iraq, Afghanistan or other peace support operations. Considering the importance of this issue, A/S Fried should raise this with the Presidency and Dodik during his December 4-5 visit to Sarajevo. End Comment.

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